

Ameritech's Solution To Double Billing Is Inadequate

- Still Highly Manual: Reps Must Manually Update Customer Account
- Does Not Address When Large Volumes of Orders Error Out Due to a System Bug
- Does Not Address Issue of Ameritech Retail Marketing to MCI Customers While Order Is In Error Status in Billing System
- Does Not Address That Customer Usage Will Be Delayed Until Error is Cleared
- Ameritech Has Not Yet Provided Any Reporting to MCI to Help Monitor Situation

High Number of Rejects

- **57 of 176 Rejects from 400 Order Sample Were Due to Ameritech Errors**
- **Too Many Rejects Processed Manually**
 - “USOC Not Valid At CO”
 - “PIC Not Valid At CO”
 - “PIC Not Selected”

High Number of Rejects - Cont'd

- **Rejects For One Error At A Time**
- **Ameritech 6/30 Release Does Not Address Manual Rejects**
- **End Result: Delay**
 - 900 Transactions for 500 Orders
 - Example:

Order 4/22	Reject 4/25
Resent 5/2	Reject 5/6
Resent 5/7	Reject 5/13
Resent 5/16	Reject 5/21
Resent 5/21	Complete 5/26 = 1 Mo. Turnaround

(2 Rejects Caused by Ameritech Errors)

Backlog of Uncompleted Orders

- **78 of 474 Orders Confirmation But No Completion or Jeopardy**
- **25 of 474 Orders: No Response From AIT**
- **1/4 of All MCI Orders: AIT's Blackhole**
 - Wk of 4/27: 1 Pending Complete Notification
 - Wk of 5/5: 8 Pending Complete Notification
 - Wk of 5/12: 36 Pending Complete Notification
1 Pending Any Response from AIT
 - Wk of 5/19: 33 Pending Complete Notification
24 Pending Any Response from AIT

Ameritech's Resale OSS Are Not Operationally Ready (Cont'd)

■ Ameritech's OSS Have Missing Functionalities

- Never Provided Telephone Number Selection
- Never Provided Due Date Negotiation
- No Changes To Order Can Be Made While Order Pending
- Receiving Usage Information Via EMI; EMR Is Industry Standard

Internal Testing Does Not Equal Operational Readiness (IL §271 Case)

- “Mr. Meixner has never provided an opinion on the operational readiness of systems being made available in connection with the 1996 Act prior to this docket.” (Tr. at 1760)
- “The independence of the review is suspect, since the scope and performance of the audit team’s work was heavily influenced by the audit.” (Tr. at 1775-1776, 1834).
- “The auditors failed to review the AIIIS testing problem log, resale bugs not fixed log, or issues log. The consulting team did not ask Ameritech if they had any system by which they tracked problems they were experiencing with their OSS.” (Tr. at 1777-1778).
- “No member of the audit team attempted to contact any any CLEC using Ameritech’s OSS to determine what their experience with the systems had been.” (Tr. at 1782).
- “The audit team relied largely on the internal testing done by Ameritech.” (Tr. at 1786).
- “The audit team reviewed the interface, but did not review the performance of the legacy systems supporting the interface, i.e..., end-to-end integration.” (Tr. at 1790, 1800-1801)
- “The audit team made no attempt to determine whether or not Ameritech was meeting its service commitments with telecommunications carriers.” (Tr. at 1815).

Examples Of Customer Order Completion/Billing Dates

CUSTOMER	ORDER NO.	COMPLETIO DATE	BILLING DATE
1	C0675010307	3/5/97	5/19/97
2	C0675010189	2/25/97	4/25/97
3	C0675010257	3/3/97	5/22/97
4	C0675010190	2/25/97	4/7/97
5	C0675010191	2/24/97	5/1/97
6	C0735000326	3/7/97	5/22/97

MCI Ex Parte CC Docket No. 97-137



271 PRESENTATION: DEPARTMENT OF JUSTICE

Michael H. Salsbury, Executive Vice
President and General Counsel

Nate Davis, Chief Financial Officer

May 21, 1997



Antitrust Lessons of Last 30 Years

- Incumbents who have incentive and ability to impede competition will do so.
- Rules alone will not open markets.
- Litigation/legislation freezes investment and favors incumbent
- “Details” are critical (e.g., TELRIC, NRCs).



Ameritech Markets Are Not Irreversibly Open To Competition

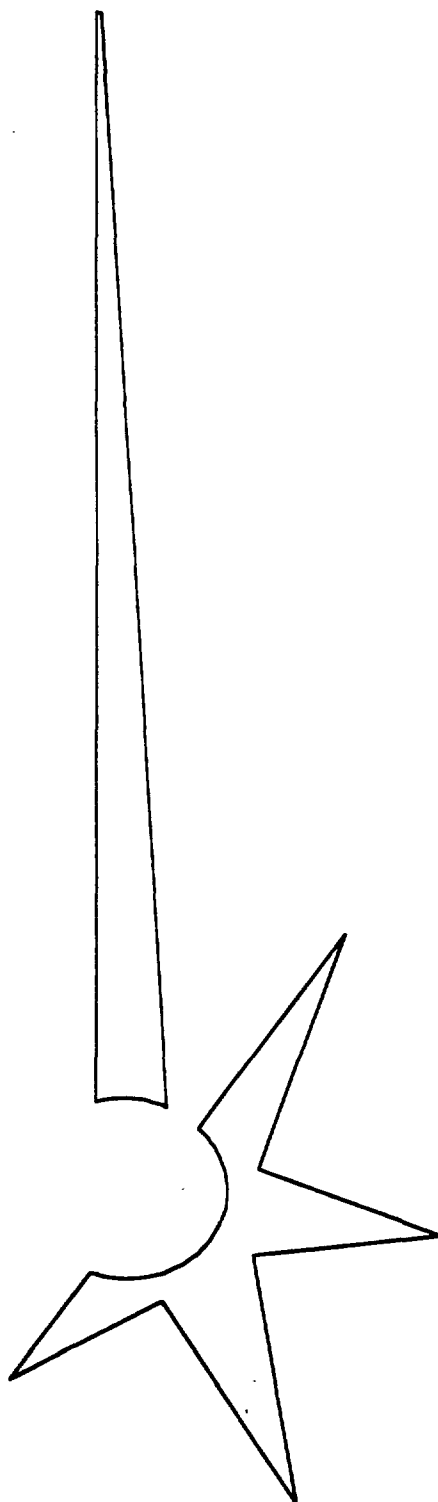
- No approved MCI-AIT (Mich.) Agreement
- AIT OSS Inadequate
- No Cost-Based Pricing For UNEs
- No Effective Pick And Choose Rule
- Third-Party Entry Barriers
- No “Rapid” Commercial Entry



W

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MCI's Commitment to Local

- **Market Comparison**
 - Long Distance \$49.9B = 15-20% Margin
 - Local \$95.6B = 40-45% Margin
- **Customers Demand Choice/Integration**
- **Access Charge Imperative**
- **\$1.7B Investment/Merger With BT**

MCI Market Entry Strategy

- **Full Service Product Line**
- **Single Contact for Sales and Services**
- **Low Cost Provider**
- **Switched Based Provider**
 - **Differentiates MCI Products and Services**
 - **Maximizes MCI Shareholder Value**
 - **Minimizes Dependency on Outside Factors**
 - **Migration Strategy**



MCI'S Early Market Entry Helped Confirm and Refine Our Strategy

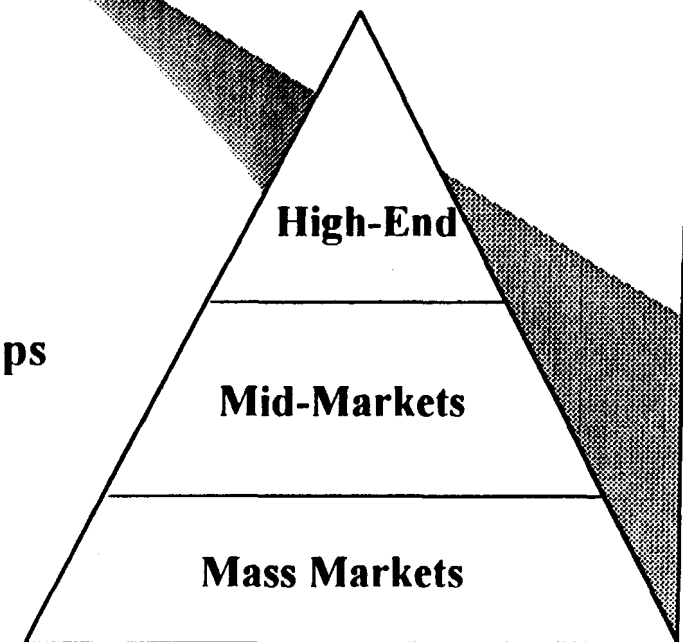
- Interested in large scale migration; less interested in “piece-meal” approach
- Demand feature rich, integrated solutions

MCI Switch
& Fiber

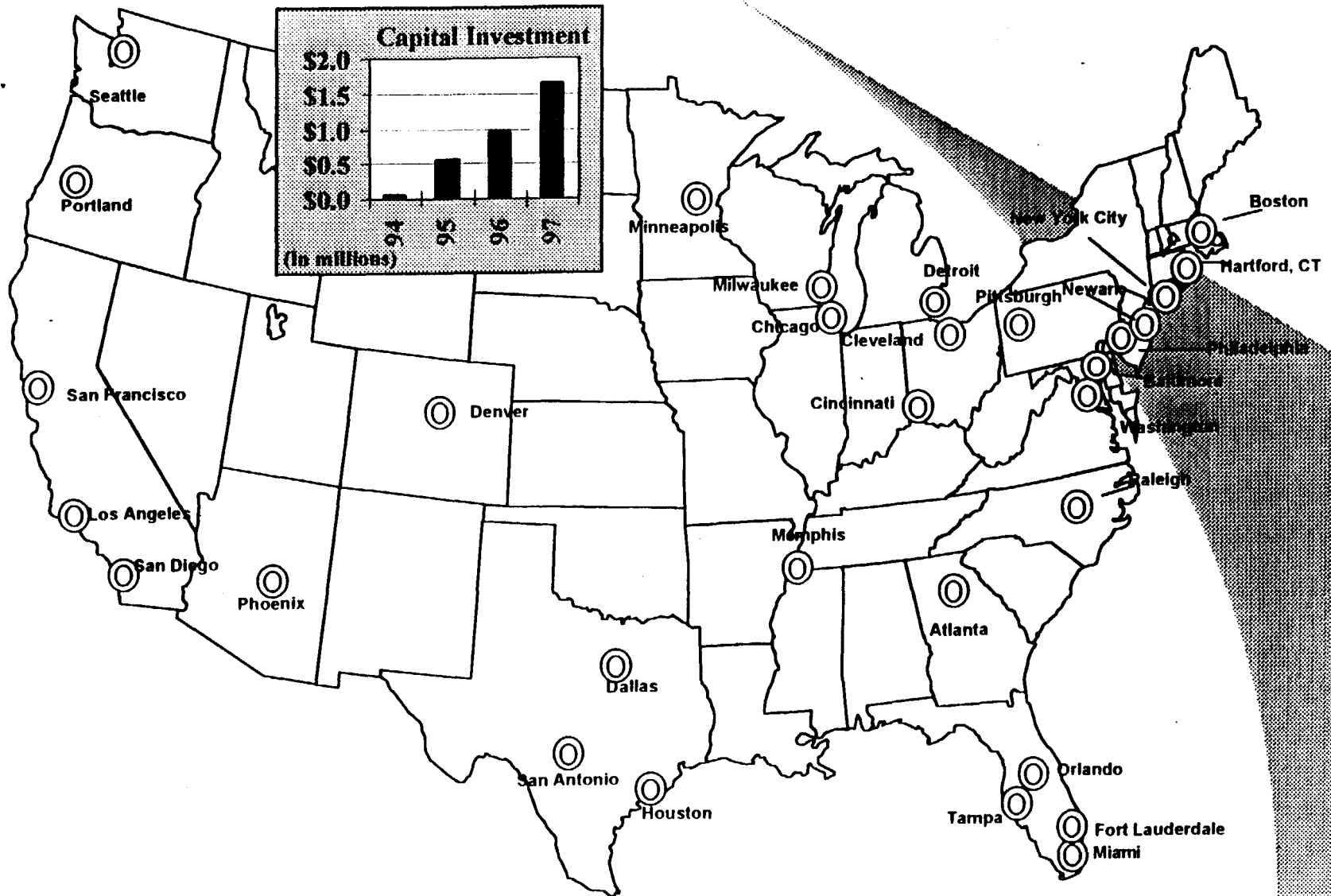
MCI Switching,
Leased T-1's
Leased Unbundled Loops

Unbundled
Network Elements

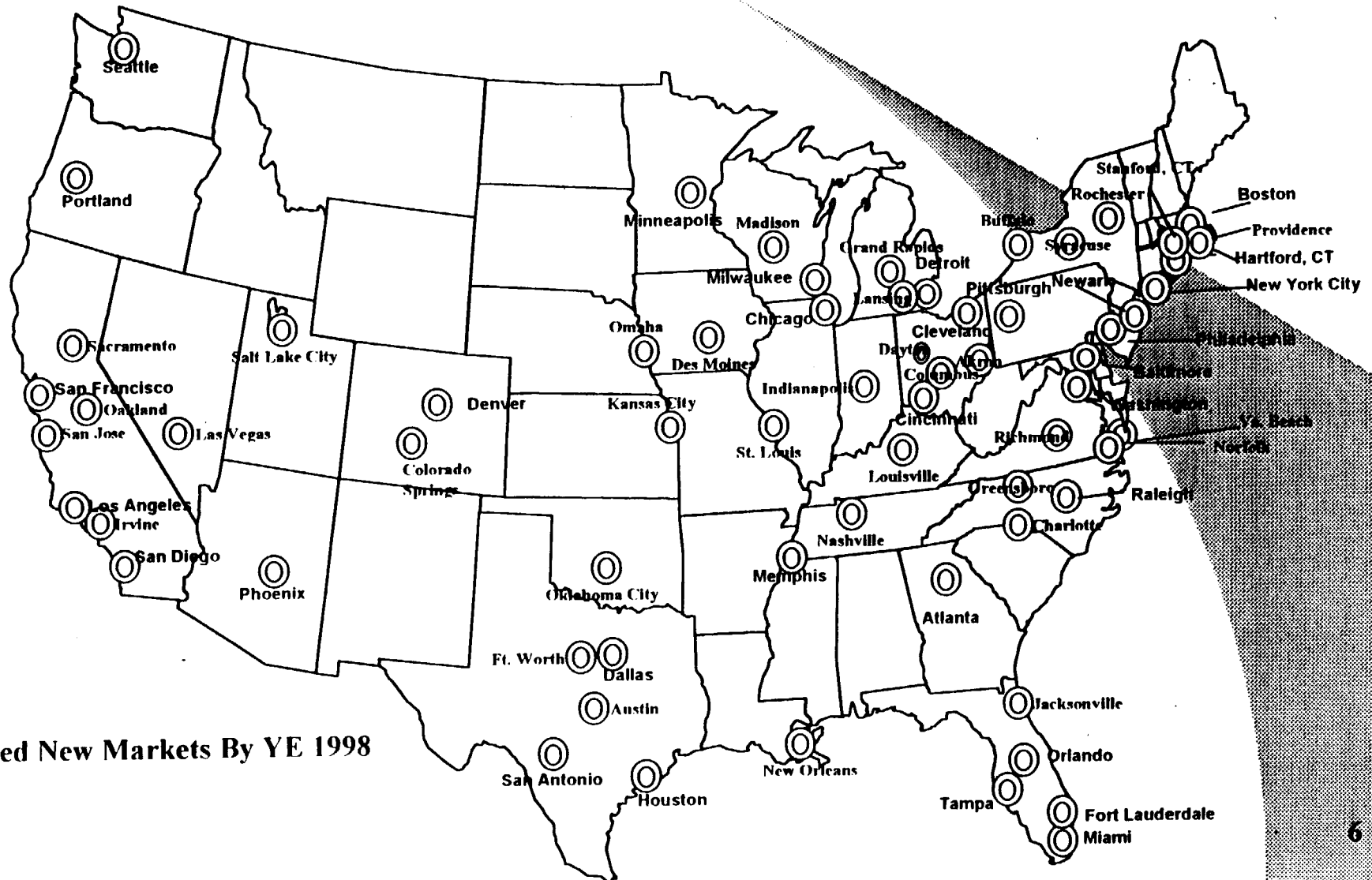
Resale



By YE '97, MCI Will Be In Over 30 Local Switched Markets



**... With Over 60 Local Markets Planned
By YE '98**



© Proposed New Markets By YE 1998



Local Competition Will Require Cooperation From All Industry Participants

<u>Regulators</u>	<u>ILECS</u>	<u>Other Companies</u>
<ul style="list-style-type: none"> • Negotiate Franchise Agreements • Obtain Construction Permits • Obtain CPCN (State Authority) • Negotiate E911 Services • File Tariffs • 251/252 • Participate In Cost Proceedings 	<ul style="list-style-type: none"> • Negotiate Interconnection Agreements • Obtain NXXs From ILEC Number Administrator • Negotiate For Directory Listings • Test Local Interconnection • Plan/Implement E911/DA/DL/OSS • Load MCI NXX's in ILEC Switches • Complete Blanket Agency Agreement • Test/Implement Interim And Permanent Number Portability • Submit Collocation Applications And Fees • Construct Collocations • Order Unbundled Elements And Resale Services • Develop Automated Interfaces • Conduct Technical Trials 	<ul style="list-style-type: none"> • Negotiate Equipment Placement Agreements • Negotiate Lease Space For Switches • Purchase Switches & Equipment • Negotiate Access • Interconnection With Other ILECs • Negotiate For Inside Wire Agreements & Voice Mail Services • Negotiate For Shared Collocations • Participate In Limited Liability Corporation For ILNP • Negotiate Rights Of Way

The Ameritech Experience

- **Agreements and Market Testing**
 - **Negotiation Process Is Now 15 Months Old and Still Incomplete**
 - **Ameritech Has a History of Refusing to Move Forward Without An Executed Agreement**
 - **Tariff Offerings Are Inferior - Doesn't Test Processes for Facility Based Services**
 - **Result: MCI on Hold.**

The Ameritech Experience

- **OSS and Testing of OSS**
 - **Key to Processing Large Volume of Orders**
 - **Must Be Multidimensional**
 - **(Unbundled Elements - Recombination's - Resale - Number Portability - DA - OS)**
 - **Ameritech OSS Focus Has Been on Resale Where Processes Are Tariffed - But Even Their Processes Are Inadequate to Support Full Competition**
 - **Testing of All OSS Systems Is Essential to Uncover and Resolve Problems**

Current Operational Processes Don't Support Full Entry

RESALE

- **Cannot Order Anything Much More Complicated Than POTS**
 - ISDN - Private Lines - Centrex - Frame Relay
- **7 Pre-Order Limit**
- **Customers Are Double Billed**
- **Features Erroneously Installed**
- **Orders Are Repeatedly Rejected**

Current Operational Processes Don't Support Full Entry

UNBUNDLED ELEMENTS

- **Single Loop Order Requires Use of ASR (Non-Standard) and Manual Process (ILNP, Disconnect)**
- **Interfaces Not Available for Pre-Ordering (OS/DA, Signaling, Switching, NID)**
- **Order Status Not Available**
- **Refuses to Acknowledge Common Transport as an Element**

Resale/Loop/Platform

Testing To the Fullest Extent Permitted by Ameritech

- Ameritech Position - Testing Only Pursuant to Tariff or Contract
 - **NO Contracts Until 5/6**
 - **NO Tariffed UNE Processes**
- Resale Testing Pursuant to Tariff
 - **Product Launched**
- MCI Aggressively Pursuing UNE Testing
 - **But Forced to Wait for Signed Agreements**
 - **May 7 - Ordered Initial Testing in Illinois & Ohio**
 - **May 20 - Complex Platform Orders**
 - **June - Loops in Illinois, Ohio, and Possibly Michigan**

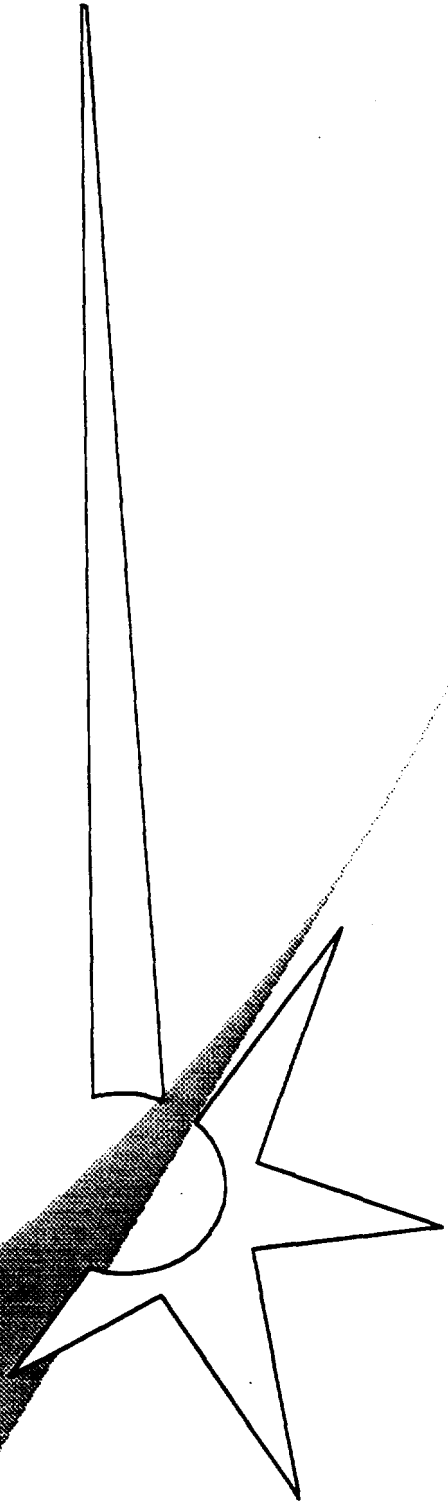


Freezing the Market

- **Building Entry**
- **Pricing**
 - **Interim Versus Permanent**
 - **Nonrecurring Charges**
- **Franchise Agreements**
- **Lack of Parity**
- **IntraLATA Toll Bad Acts**



MCI



Importance and Status of OSS Unbundled Loops Testing

**Unbundled Elements Allow MCI to Add Value,
Features, and Differentiation to Offerings**

Steps Taken

- 1/3 Requests OSS Information to Support Loop Ordering.**
- 1/27 First Formal Request for Loops.**
- 2/2 Requested to Move Forward Without an Agreement.**
- 3/7 Meeting - AIT Insists on Approved Contract Before Testing.**
- 3/31 Summary of MCI Requirements for OSS.**
- 4/10 Illinois 271 Document Provides MCI With Unbundled Services Ordering.**
- 5/1 Placed Two (2) Recombination Orders.**
- 5/20 Meeting - Reviewed Specific Requirements.**

